

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: MIDAMERICAN ENERGY COMPANY	DOCKET NO. RPU-94-3
--	---------------------

ORDER APPROVING SETTLEMENT

(Issued May 28, 1999)

On January 12, 1999, MidAmerican Energy Company (MidAmerican) filed with the Utilities Board (Board) a request to continue the Incentive Gas Supply Procurement Plan (IGSPP) through April 30, 2000. The IGSPP, a pilot program approved by the Board in Docket No. RPU-94-3, ended on October 31, 1998. The IGSPP provided that MidAmerican may earn a reward or be penalized based on its actual gas costs compared to a benchmark, or reference cost. In the plan, the reference cost was calculated by adding all the index costs of procuring gas and then the reference cost was compared to the total actual cost of procuring gas.

On January 22, 1999, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed an objection to MidAmerican's request to continue the plan. On March 28, 1999, the Board issued an order setting the case for hearing and establishing a procedural schedule. On April 27, 1999, the parties filed a proposed settlement agreement.

In the proposed settlement, the parties proposed to continue the IGSPP through October 2000 and agreed to changes to the pipeline capacity component

and the supply component of the gas procurement comparisons. The parties agreed that during the first year of the continuation of the program, MidAmerican would use the actual cost of pipeline capacity in the calculation of the reference price for capacity contracts in effect on October 31, 1997. This would be in place of using Federal Energy Regulatory Commission (FERC) approved maximum pipeline capacity rates in the calculation. For the second year of the continuation of the plan, the actual cost of pipeline capacity would also be used in the calculation of the reference prices for capacity contracts in effect on October 31, 1998. The proposed settlement also states the supply index costs will be increased by \$2.2 million.

The Board has reviewed the proposed settlement agreement and will approve it. In general, the continuation of the program should result in additional lower costs being passed through to customers. By using discounted actual pipeline capacity costs rather than FERC approved rates, the cost will be lowered and a lower reference price will result from the calculation. Therefore, in order to earn a reward, it will be necessary for MidAmerican to achieve lower costs. The Board will continue to conduct a review on a semi-annual basis in which actual costs will be compared to the reference costs.

IT IS THEREFORE ORDERED:

1. The proposed settlement agreement filed by MidAmerican Energy Company and the Consumer Advocate Division of the Department of Justice on March 28, 1999, is approved. The Incentive Gas Supply Procurement Plan will continue through October 2000.

2. The Board will continue to conduct a review on a semi-annual basis in which actual costs will be compared to the reference costs. MidAmerican shall continue to file comparison filings based on the schedule set in the May 19, 1995, "Final Decision and Order," in Docket No. RPU-94-3.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.

Executive Secretary

ATTEST:

Dated at Des Moines, Iowa, this 28th day of May, 1999.